

# Drop of 9% in Dec '09 pig prices

The weighted average pig price for December 2009 was €1.22 (VAT exclusive), 12c/kg behind the equivalent figure for 2008.

Despite factories' assurances that an increase in throughput was worth a minimum of 4c/kg, the price did not rise at all in December, even with over 50,000 pigs supplied every week, bar Christmas week.

Then to add further insult, a 4c/kg drop in price (which will be reflected in January's pig league) welcomed the New Year.

Based on the Teagasc recording system, the feed cost per kg dead in December was 88c/kg. When the 50c/kg minimum non-feed cost is added on, the cost of production rises to €1.38/kg. Even with the VAT refund included, this means that pig farmers lost 10c/kg all through December.

## MARKET OUTLOOK

The start of the year is always the time for outlook reports. Price and production estimates are always difficult to predict, and this has been especially true in the last number of years, when crisis after crisis prevented normal trading patterns.

## IRISH THROUGHPUT

Looking back at 2009, Irish pigmeat throughput was at a lower level throughout the year due to the dioxin crisis. However, year-on-year the percentage difference was back just 6.1% (or 150,000) in ROI meat factories. The number of live pig exports (NI) increased this year (5.5%) by 25,000 pigs. However, pig numbers going into the North in 2008 were down 11% on 2007. Therefore, the combined total for Irish production of pigs in 2010 was back only 4% on the previous year.

It appears, therefore, that some units which had destocked during the feed cost crisis of 2007/2008 may have come back into production in 2009, somewhat alleviating the drop in supplies. This is a positive signal for an industry whose critical mass has been under a considerable challenge in recent years. Irish competitiveness into the future will be dependent on the opportunities

producers are given to allow an expansion of the national herd, both in terms of pig prices and regulation.

## GLOBAL SITUATION

Global pigmeat production increased in 2009 by approximately 2%, driven mainly by China's +4% (45% of total global output). In 2010, the FAO has predicted a recovery in some countries, including Europe (+2%), whereas European forecasters expect a further decline of 0.3% for the first half of 2010, on top of the 2.5% fall in production in 2009.

While the FAO estimates there 'may' be a recovery in EU production, there is no doubt in the analysis that production in Russia and Brazil will show considerable growth.

## PRODUCTION COSTS

The recent Teagasc outlook conference looked at the cost of production for Irish farmers and what is required. Every year, farmers' margins are being eroded while meeting increased costs of welfare and environmental compliance. Despite what factories would say, prices paid in the latter part of 2009 are not sustainable, and this is supported by the analysis of production costs carried out by Teagasc.

There is a need for well over 50c/kg to cover existing non-feed costs and to produce a minimum return on investment. Farmers are entitled to make a profit and, if this is not forthcoming in 2010, upgrading of units may not be carried out as necessary.

## FEEDSTUFFS

Cereal prices were lower in 2009, but this is the only reason the producers have survived, as there is no profitability being derived from the pig price.

Lower cereal prices can be attributed to weaker global demand, (one million less sows since June 2007, NAFTA) and a good EU crop in 2009.

An increase in EU wheat production is forecast for the coming harvest (+3%), but the estimate for barley is 3mt lower than in 2009. Global wheat stocks are currently high, and the USDA estimate that global wheat production in 2009/2010 will

## December 2009 pigmeat price league table

Factory	Dec 09 per kg DW €	Dec 08 per kg DW €	Nov 09 2008 €	Dec 09 price as % of Dec 08	Est. share of national kill in each factory %
<b>All prices quoted excl. VAT refund</b>					
<b>Division No. 1 €1.23 and over</b>					
McCarren	1.23	1.37	1.24	90%	8%
Stauntons	1.23	1.37	1.25	90%	10%
Dawn	1.23	1.37	1.24	90%	16%
<b>Division No. 2 under €1.23</b>					
Edenderry	1.21	1.34	1.21	90%	27%
Roscrea	1.21	1.34	1.21	90%	29%
<b>Weighted Average</b>	<b>1.22</b>	<b>1.22</b>	<b>1.34</b>	<b>1.22</b>	<b>91%</b>
<b>Northern Prices</b>					
Green Pastures	1.23	1.27	1.25	97%	7%
Ballon	1.25	1.38	1.25	91%	1%
Garbally	1.23	1.37	1.25	90%	-
Cookstown	1.25	1.34	1.26	93%	-
Grants	1.22	1.32	1.26	92%	-
Cullybackey	1.24	1.35	1.25	92%	-



be 672mt. In contrast, Ireland's home grown cereals are in decline, which is a considerable concern to Irish pig producers.

Soya prices remained high throughout 2009, with prices last autumn 10% higher than a year earlier.

The ongoing delays in Brussels concerning the approval of Novel feedstuffs could seriously affect prices. Although a depressed EU

price market was cited continually in 2009, recovery is expected in 2010, as piglet production is at its lowest level since 2000, with major falls recorded on Benelux, German and Spanish farms.

Resurgence in the economic climate, per capita consumption and the recovery of export volumes will play an important role — exports being of particular consequence should Danish pig

volumes increase as predicted. An upturn in the global economy should see the forecasted increase in meat consumption drive prices upwards.

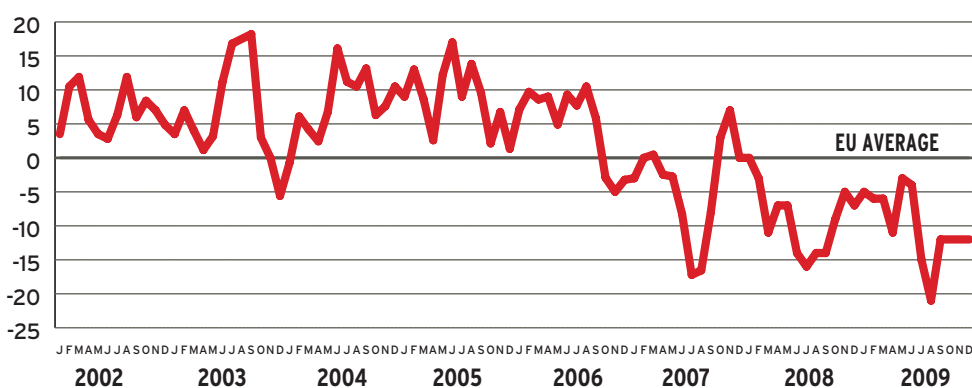
Although volatility in the market is commonplace for pig producers at this point, processors must accept that any delay before increasing prices will put even the most efficient producer under severe pressure to continue.

## LIVE PIG EXPORTS

Due to the current unprofitability in the sector, producers have enquired in relation to their options to export live pigs to Britain. There is a protocol necessary to make this possible but, subject to meeting various criteria, there is no obstacle to producers sending pigs to Britain for sale.

## Irish pig price gap compared to EU average

January 2002 to November 2009 for a 70kg carcass



## Average weighted pig league price

January 2002 to November 2009

